

**Remarks/Arguments:**

The Office Action rejects claim 1 under 35 U.S.C. § 103(a) as being unpatentable over Parvi. The Office Action contends that Parvi discloses each and every step of the applicant's claimed invention, except the steps of preparing an income statement showing revenue and expenses, which the Office Action states is a common practice in the art. The applicant respectfully traverses this rejection.

Parvi discusses in detail the use of a "relief from royalty method" in an income approach to valuation of intellectual property. First of all, it is important to note that Parvi describes a valuation method, not a method for auditing intellectual property. Thus, the applicant claims a method by which a reported valuation, such as Parvi's, might be audited by another entity, or in which a valuation as described by Parvi comprises only a portion of the claimed method. At most, Parvi discloses some portion of steps (d)-(f) of the applicant's claimed method. Valuation, however, is just one portion of an audit. Parvi does not teach or suggest, for example, inspecting documentation related to each IP asset or determining validity of each IP asset. The office action concedes that Parvi fails to disclose preparing an income statement, and does not even acknowledge the claimed step of issuing an opinion certifying that the one or more IP assets and corresponding tangible values are fairly stated in accordance with generally accepted accounting principles.

The steps of inspecting documentation and determining validity are important steps that go hand in hand, as described in the specification on page 4. Parvi does not disclose determining the validity of each asset or inspecting documentation. Pages 8-11 of Parvi are cited by the office action as teaching inspecting documentation and the table on page 10 is cited as teaching validation. The applicant has found nothing on pages 8-11 that discloses inspecting documentation, and respectfully requests a more specific citation of language believed to provide such a disclosure. Table 10 only shows the methodology by which certain types of intellectual property may be *valued*, not evaluated for *validity*.

Parvi discloses the three essential ingredients of the income approach to be (1) the amount of income stream generated by the product or service with which the IP is associated, (2) an estimation of the duration of the income stream (i.e. the economic life of the product or service with which the IP is associated, and (3) an assumption as to the risk associated with the realization of the forecasted income. Parvi, p. 11. Parvi includes "challenges of patent validity *brought about by competitors*" (emphasis added) among the "factors one would consider in estimating economic life" of a patent, where estimating economic life comprises "identifying all of the factors that bear on economic life" and then "making a judgment as to which of them indicates shortest life." Parvi, p. 12. Parvi does not teach or suggest, however, making a *determination of validity* as part of an audit method. Considering a challenge of patent validity brought about by a competitor may take into account what a competitor has raised as an issue, but determining validity as part of an audit is more proactive and does not wait for a competitor to raise an issue. One purpose of an audit is to proactively make sure that assets listed by the company have the value that the company as attributed to them. Parvi only teaches making a valuation, not verifying that valuation by looking behind one of the key assumptions of value, namely the validity of the listed assets. The determination of validity is an important step that distinguishes the applicant's method from those of the prior art.

The office action also notes that determining the validity of an IP asset is "common practice" and "inherent." Although validity studies are commonly practiced in the field of

Intellectual Property, these studies are typically done under two circumstances: (1) by a competitor of the patentee as a defense to an accusation of infringement or who wishes to obtain a clearance opinion before infringing the patent, to avoid a later award for willful infringement, or (2) as part of due diligence attendant to the purchase of a company, a portion of the company, the IP assets of the company or portion thereof. The office action does not cite a reference disclosing validity studies being performed as a step in an *audit* of IP of an entity. Determining validity is not inherent. It is a time-consuming, expensive, and very specific step.

This inspection and determining validity steps are important because IP audited by the applicant's method can provide assurance to investors that any valuation calculated reflects the true value of a company or its IP, particularly if IP assets of strategic importance have questionable validity. Such an audit may prevent investors from pouring money into a company that boasts of a multitude of patents, which upon closer inspection, may be of questionable validity.

Thus, although Parvi discloses a method of valuing IP generally, it does not teach or suggest all the steps of the audit method claimed by the applicant. As conceded by the office action, Parvi does not disclose preparing an income statement showing revenue and expenses. While preparing income statements showing revenue and expenses generally may be known, preparing such a statement as part of an IP audit is not taught or suggested by any prior art cited by the office action. Furthermore, although the office action cites page 26 as showing preparing a balance sheet showing the valuation of each IP asset, the applicant respectfully disagrees. The applicant claims "preparing a balance sheet reflecting *each* intellectual property asset and corresponding valuation." The table on page 26, which is not a balance sheet, lists a lump sum valuation for "Gillette's intellectual property viewed as a bundle," not a valuation for *each* asset.

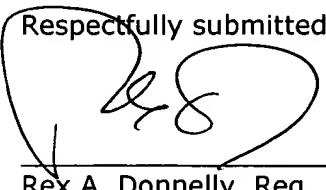
Parvi also fails to teach or suggest the step of issuing an opinion certifying that the one or more intellectual property assets and corresponding tangible values are fairly stated in accordance with generally accepted accounting principles. The office action cites page 27 of Parvi and "common practice," but page 27 does not teach or suggest issuing such a statement, nor does the office action provide any support for the conclusory statement that this is common practice. While it may be a common practice to issue opinion statements with respect to general accounting audits of entities, such a practice does not teach or suggest including such a step in a method for specifically auditing *intellectual property* as claimed by the applicant. Performing an audit for IP assets is not taught or suggested by any reference cited by the office action. Furthermore, the office action fails to show any motivation or suggestion to modify the cited reference relating to valuation, to arrive at the applicant's claimed invention relating to an audit.

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Amendment Dated February 10, 2004  
Reply to Office Action of August 15, 2003

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For all of the reasons above, the applicant respectfully submits that the cited reference fails to teach or suggest each and every limitation of the claims, and that the office action fails to set forth a prima facie case of obviousness. Accordingly, the applicant respectfully requests that the rejection be withdrawn and the application allowed.

Respectfully submitted,

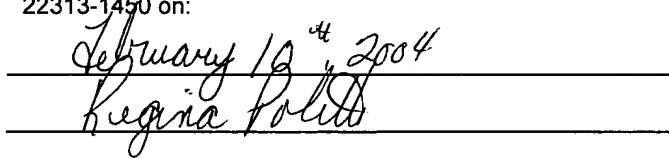
  
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Dated: February 10, 2004

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The Commissioner for Patents is hereby authorized to charge payment to Deposit Account No. 18-0350 of any fees associated with this communication.

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February 10<sup>th</sup>, 2004  
Regina Pollio

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